

**UNITED STATES DEPARTMENT OF AGRICULTURE**

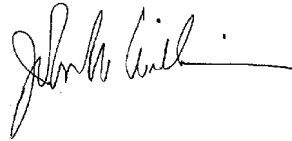
Farm Service Agency  
Washington, DC 20250

**Notice FI-2510**

**For:** KCFO and State and County Offices

**2001 Calendar Yearend Critical Information for FLP and Apple Loan Payment Activity**

**Approved by:** Deputy Administrator, Management



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**1 Overview**

**A**

**Purpose**

This notice provides:

- critical dates for yearend processing of:
  - FLP payment activity
  - Apple Loan Payment activity
  - Emergency Loans for Seed Producers
- processing information for all calendar yearend reports and statements mailed to:
  - Servicing Offices
  - FLP, Emergency Loans for Seed Producers, and Apple Loan borrowers.

**Note:** No other information about FLP calendar yearend will be provided.

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**B**

**Contact**

State Offices shall direct questions about this notice to KCFO/St. Louis, Loan Operations Division, Program Reporting Branch, at 314-539-2494.

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**Disposal Date**

December 1, 2002

**Distribution**

KCFO and State Offices; State Offices relay to  
County Offices

## Notice FI-2510

### 2 Action

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#### A

#### **Suspending Transactions**

At **COB, on December 26, 2001**, processing of the following transactions on the Automated Discrepancy Processing System (ADPS) will be suspended:

- Transaction Code (TC) 4A, Change in Case Number and Loan Number
- TC 4D, Change in Case Number, Name, and Address
- TC 4F, Change in Loan Number
- TC 4G, Assumption Agreement - Same Rates and Terms.

KCFO/St. Louis will resume processing these transactions on **January 15, 2002**. Look for daily screen messages on ADPS.

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#### B

#### **Preparing FmHA 1951-9 and IRS Forms**

By **January 31, 2002**, KCFO/St. Louis will prepare and mail to:

- all borrowers and Servicing Offices, according to Exhibit 1, the following:
    - FmHA 1951-9, Annual Statement of Loan Account
    - IRS 1098, Mortgage Interest Statement
  - applicable borrowers, according to Exhibit 2, the following:
    - IRS 1099-A, Acquisition or Abandonment of Secured Property
    - IRS 1099-C, Cancellation of Debt
    - IRS 1099-G, Certain Government and Qualified State Tuition Program Payments
    - IRS 1099-INT, Interest Income
    - IRS 1099-MISC, Miscellaneous Income.
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## Notice FI-2510

### 2 Action (Continued)

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#### C

##### **FLP Collections Entered on the S/36-AS400**

By **December 31, 2001**, State and County Offices that use the System 36, Cash Receipts Application, shall transmit all collections with December 2001 dates of credit. These payments are scheduled to be included on FmHA 1951-9 for calendar year 2001.

**Note:** See 3-FI for instructions on how to process collections to the Cash Receipts System.

Payment data with 2001 dates of credit which are not processed to ADPS by the January 10, 2002, cutoff date, will be recorded on next year's statements.

IRS 1098 will be corrected in the first quarter correction process.

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#### D

##### **Maturing of Accounts**

The maturing of the January 1, 2002, installments for annual payment borrowers is scheduled for January 18, 2002. The Account Information (AI) status screen, accrued as of the date of the 4M maturing transaction, and the detail online history screen may be used for documentation.

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#### E

##### **Availability of Terminals**

Terminals will be available for entering transactions according to the following.

Date	Transaction
December 31, 2001 (6 a.m. to Noon c.t.) January 2 through January 4, 2002 (6 a.m. to 6 p.m. c.t.) January 5, 2002 (6 a.m. - Noon c.t.) January 7 through January 10, 2002 (6 a.m. - 6 p.m. c.t.)	Provides additional time for initial transaction entry and discrepancy correction before preparing the annual statements.
January 11, 2002 (6 a.m. to 6 p.m. c.t.)	No update to the Program Loan Accounting System (PLAS) is scheduled for the evening of January 11, 2002. Transactions recorded through the terminals on January 11, 2002, will be scheduled for update on the evening of January 14, 2002.

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## Notice FI-2510

### 2 Action (Continued)

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#### F

##### Acquisitions or Abandonment

State and County Offices shall use FmHA 1992-6 as a substitute for IRS 1099-A, when they become aware of an abandonment and no acquisition will be processed within 6 months. The borrower receives 1 copy and KCFO/St. Louis shall receive the other copy no later than **January 4, 2002**. The KCFO/St. Louis copy is used to create the tape that reports IRS 1099-A data to IRS in February 2002. It is critical that all spaces on FmHA 1992-6 be completed. All incomplete forms will:

- not be included
- be returned to the Servicing Office for correction.

By **January 31, 2002**, IRS 1099-A will be mailed to borrowers whose secured property was acquired during calendar year 2001. See Exhibit 2.

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#### G

##### Debt Cancellation

By **January 31, 2002**, IRS 1099-C will be mailed to applicable borrowers. See Exhibit 2.

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#### H

##### Grants

For tax year 2001, all grant recipients will receive IRS 1099-G. By **January 31, 2002**, IRS 1099-G will be mailed to grant recipients with valid addresses recorded in PLAS. IRS 1099-G, generated with invalid addresses, will be mailed to the appropriate Servicing Office to distribute immediately to the grant recipients. See Exhibit 2.

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#### I

##### Interest Income

By **January 31, 2002**, KCFO/St. Louis will manually prepare and mail IRS 1099-INT to report interest paid to borrowers who had program payments offset in error under the Internal Administrative Offset Program. See Exhibit 2.

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#### J

##### Miscellaneous Income

By **January 31, 2002**, KCFO/St. Louis will manually prepare and mail IRS 1099-MISC to each individual who received an FSA payment in a non-class action discrimination claim settlement from the KCFO/St. Louis Finance Office. See Exhibit 2.

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## Notice FI-2510

### 1 Action (Continued)

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#### K

##### Default Charges and Credits

Loans dated before July 1, 1973, are subject to default charges. If a loan subject to these charges is delinquent on January 1, 2002, and remains delinquent on April 1, 2002, it will be analyzed to determine whether default charges should be established. A printout of the online history screen reflecting the 3C and 1R transactions, along with the AI status screen accrued as of the effective date of the 3C and 1R transaction, may be used for documentation. If a final payment is to be collected on a loan of this type between April 1, 2002, and the date the default is processed to the account, contact the appropriate loan servicing team in KCFO/St. Louis to determine the unpaid loan balances.

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#### L

##### Corrections to IRS Forms

Corrections to initial calendar yearend IRS reporting will be issued quarterly in year 2002. Accounting activity not included on calendar yearend IRS reporting, because of cutoff dates, will be reflected on first quarter correction forms.

**Note:** There is no correction process for FmHA 1951-9's. Any 2001 and previous years corrections processed to the borrowers' account after the cutoff date, will be reflected on the 2002 Annual Statement of Loan Account.

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**FmHA 1951-9****A****Introduction**

KCFO/St. Louis will prepare FmHA 1951-9 for calendar year 2001.  
FmHA 1951-9's are produced in the following 2 segments:

- borrower
- Servicing Office.

Both segments have 2 copies. The segments are distributed as follows.

- Two white copies of FmHA 1951-9 are printed for the Borrower segment. One white copy is sent directly to the borrower, and the other white copy is sent to the Servicing Office, for filing in the borrower's folder.
- One white and 1 green copy of FmHA 1951-9 are printed for the Servicing Office segment. The Servicing Office segment contains FmHA 1951-9's for borrowers with the special conditions in subparagraph C. Both copies are sent to the Servicing Office for review and **distribution of the white copy** to the borrower, when appropriate. The green copy shall be filed in the borrower's folder.

**Note:** Any borrower FmHA 1951-9 that is returned to KCFO/St. Louis as undeliverable will be mailed to the Servicing Office or State Office for address correction on ADPS and distribution to the borrower.

**B****Explanation of  
FmHA 1951-9  
Items**

The following table provides an explanation of selected items on FmHA 1951-9.

Item	Explanation
Total Loan Payments	Total cash payments applied to interest and principal for each loan during calendar year 2001. This amount does not include noncash applications or payments for 2001 processed after <b>January 10, 2002</b> .
Total Paid on All Loans This Year	Total cash payments applied to interest and principal for all loans during calendar year 2001. This amount does not include noncash applications or payments for 2001 processed after <b>January 10, 2002</b> .
Loan Activity	Total loan activity processed during calendar year 2001.

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## FmHA 1951-9 (Continued)

**B**  
**Explanation of**  
**FmHA 1951-9**  
**Items**  
**(Continued)**

Item	Explanation
Loan Balance	<p>Unpaid interest and principal balances as of December 31, 2001.</p> <p>Unpaid interest includes:</p> <ul style="list-style-type: none"> <li>• unpaid interest on advances</li> <li>• noncapitalized interest</li> <li>• deferred interest</li> <li>• deferred noncapitalized interest</li> <li>• installment set-aside interest.</li> </ul> <p>Unpaid principal includes any balance due on advances by FSA, as well as any installment set-aside principal, and 1 percent insurance charge, if applicable.</p>
Minimum Amount Due	The loan's payment status plus the next scheduled installment amount.
Due Date	The date of the next installment due.
Payment Status	The amount the loan is ahead or behind schedule as of December 31, 2001.
Interest Paid	This field is highlighted and is the amount of cash payments applied for prior years and 2001. The amount may be negative for certain loans that have payments reversed from the account.
Taxes Paid	This includes all taxes paid by FSA and charged to the borrower's account.
Borrower Activity	The total activity for all loans.
Borrower Balance	This is the total unpaid interest and principal balance for all loans as of December 31, 2001.

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## FmHA 1951-9 (Continued)

**B**  
**Explanation of**  
**FmHA 1951-9**  
**Items**  
**(Continued)**

Item	Explanation
Mortgage Interest (1098 Section)	<p>The mortgage interest paid amount, reported to IRS on IRS 1098, will be provided to all individual-type borrowers for each loan secured by real estate that had interest payments applied to the account during the calendar year. The interest paid amount only reflects payments applied to the account with 2001 dates of credit. The "Refund of Overpaid Interest" field reflects a refund or credit of a prior year's overpayment of interest, the amount of interest reported in a prior year or years that was reversed off the account during calendar year 2001.</p> <p>Any transactions processed after the calendar yearend processing date, which affect the 2001 interest amount, could result in a corrected IRS 1098. Changes to the amount or amounts previously reported for calendar year 2000 and 1999 may also result in a correction. The quarterly corrected IRS 1098 may require the borrower to file an amended tax return.</p> <p><b>Note:</b> If borrowers request assistance for filing their tax returns, advise them to contact a tax consultant.</p>

**Note:** Cash advances dated January 2002 may appear on FmHA 1951-9 because of the multiple advance features of the loan disbursement system.

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**FmHA 1951-9 (Continued)**

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**C****Reviewing  
FmHA 1951-9**

After receiving the green and white copy of FmHA 1951-9 for the Servicing Office segment, the Servicing Office shall review FmHA 1951-9's that reflect the following conditions:

- write-offs
- acquired property
- judgment
- foreclosure action pending
- court action pending
- bankruptcy action pending
- subject to approved adjustment
- collection only
- under 1951-S servicing (1951-S)
- no address available on finance office files.

**Note:** Mail the white copy of FmHA 1951-9 to the borrower, if appropriate, after reviewing each case.

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## IRS Forms

## A

Explanation of  
IRS Forms

Servicing Offices will receive lists, for the year ending December 31, 2001, of FLP borrowers reported on IRS 1099-A, IRS 1099-C, IRS 1099-G, and copies of IRS 1099-INT and IRS 1099-MISC

**Note:** KCFO/St. Louis shall report this information to IRS and to the borrower.

Form	Explanation
IRS 1099-A	<p>Will be provided to IRS for borrowers:</p> <ul style="list-style-type: none"> <li>• whose secured property was acquired as a full or partial satisfaction of their debt during calendar year 2001</li> <li>• reported on FmHA 1992-6 during calendar year 2001.</li> </ul> <p>Servicing Offices will receive a list identifying each borrower and the unpaid principal and market value reported to IRS.</p>
IRS 1099-C	<p>Will be provided for each loan that had a discharged debt through a writeoff, write-down, current market value buyout, or writeoff of a lease account during calendar year 2001. Writeoffs processed with a class of writeoff code of 5, which are currently not collectible (CNC - borrower not released from liability), and equity receivable writeoffs are not reported to IRS. The total amount of debt canceled with an effective date in 2001 will be reported on IRS 1099-C. The amount includes:</p> <ul style="list-style-type: none"> <li>• principal discharged from the note and advance</li> <li>• interest discharged from the note and advance</li> <li>• noncapitalized interest</li> <li>• deferred interest</li> <li>• deferred noncapitalized interest.</li> </ul> <p>Servicing Offices will receive a list that identifies each borrower and the amount of discharged debt reported to IRS.</p>
IRS 1099-G	<p>Will be provided to <b>all</b> recipients of grant funds during calendar year 2001. Grant disbursements with 2001 check dates will be reported. Servicing Offices will receive a list that identifies each grant recipient and the disbursed amount reported to IRS.</p>

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## IRS Forms (Continued)

Form	Explanation
IRS 1099-INT	Will be provided to IRS for borrowers who received interest income on refunds made under Internal Administrative Offset. A copy will be mailed to the borrower and the local Servicing Office. To receive IRS 1099-INT, a borrower must have a type of applicant code (APCD on the ADPS MI status screen) of 1 (Individual) or 2 (Partnership), and interest paid of \$10.01 or more.
IRS 1099-MISC	Will be provided to IRS for individuals who received payments <b>from KCFO/St. Louis</b> for a nonclass action, discrimination claim settlement. A copy will be mailed to the individual and the local Servicing Office.

**B****Corrections**

All activity processed after the calendar yearend processing date, which affects amounts initially reported to IRS, could result in the generation of corrected IRS 1098, IRS 1099-A, IRS 1099-C, or IRS 1099-G. The corrected IRS form may require the borrower to file an amended tax return. If borrowers request assistance in filing their return, advise them to contact a tax consultant.